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CAI Wireless Systems

July 2, 1998

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Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: Amendment of Parts 21 and 74 to Enable Multipoint Distribution  
Service and Instructional Television Fixed Service Licensees to Engage  
in Fixed Two-Way Transmissions - MM Docket No. 97-217 and RM-9060

Dear Ms. Salas:

This letter is filed by CAI Wireless Systems, Inc. ("CAI") and its affiliate, CS Wireless Systems, Inc. ("CS"), (collectively "CAI/CS")<sup>1</sup> in response to the Public Notice, DA 98-1119, released June 12, 1998, inviting interested members of the public to file further comments in the above-referenced proceeding.

CAI is a member of the industry task force that developed the petition for rulemaking that led to the Notice of Proposed Rulemaking. Therefore, CAI has no desire to burden the record with further extensive comments. Indeed, CAI/CS's primary intent in submitting even these comments is to emphasize its perception and understanding that the record in this proceeding provides ample basis upon which the Commission can and should proceed to expeditiously adopt a report and order implementing a rational set of rules.

Having been part of the process from the outset, CAI believes there has been a healthy and vigorous dialogue among the parties and the Commission about an admittedly complicated set of rule changes. Given the inherently complicated terrain, it is remarkable that there has been such a broad consensus among the ITFS, MMDS and related communities. Virtually all commenters, with minor exceptions, endorse the concept of two-way deployment of this spectrum. That there has been disagreement,

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<sup>1</sup> CAI owns the majority of the equity of CS. CAI presently operates analog video systems in NYC, Washington, DC, Rochester and Albany, NY, Philadelphia and Norfolk/Virginia Beach. CAI also provides Internet access services in Rochester and Boston. CAI also owns and leases a portfolio of MMDS and ITFS spectrum in additional markets, including Long Island, Buffalo, Syracuse, Providence, Hartford, Boston, Baltimore and Pittsburgh. CS is in the process of launching a digital video and high speed Internet access operations in the Dallas/Ft. Worth area, and operates analog video systems in San Antonio, Bakersfield, Minneapolis, and Cleveland. CS also owns and leases a portfolio of MMDS and ITFS spectrum in additional markets, including Dayton, OH, Kansas City, Stockton, CA, and Grand Rapids, MI. Between the two companies, the MMDS and ITFS spectrum has the capability of serving approximately 23 million households.

primarily by the Catholic Television Network ("CTN"), about specific aspects of the rules proposed by the industry task force is only to be expected in as large and diverse a community of users of the spectrum as there exists. CAI/CS feels quite comfortable with the thoroughness and fairness of the task force's efforts to propose rules that accommodated so many different factions. Indeed, where there were choices to be made whether to advance aggressive rules or to take a more cautious approach that provided better interference protection to co and adjacent channel users, invariably the task force chose the more cautious approach.

CAI/CS senses that the Commission recognizes the importance of this item to the industry and applauds the care and attention the staff and the Commissioners have paid to it. As an operator, CAI/CS cannot overstate the importance of the item. The industry has gone from pursuing analog video as its core business to pursuing digital video as its business, and now is on the precipice of yet another sea change. However, the telecommunications industry as a whole has undergone somewhat parallel course changes, and now is a time marked by convergence. With the Commission's help, this valuable 200 MHz of spectrum can yet be a viable source of competition in the voice, video, and data marketplace.

From an educational standpoint, CAI and CS have witnessed enormous curiosity and excitement among its ITFS lessors about the possibilities of two-way uses of the spectrum. Educators see no limit to the ways in which this technology can better educate while reducing costs. Every lease negotiation we undertake includes a full exploration of the ways in which CAI/CS can partner with our educator to make these opportunities become realities.<sup>2</sup>

And make no mistake about the fact that CAI/CS cannot deploy this spectrum to its fullest extent without the participation of the ITFS licensees in each of our markets. The debate over interference issues that has taken place during the course of this rulemaking proceeding will set important parameters for the industry. But while the unilateral deployment by an operator of two-way services will remain an option, the practicalities of doing so make it a less desirable alternative. The best and most vital use of the spectrum will realize the full synergies that exist between the ITFS and commercial communities in each market. In short, CAI/CS has no doubt that in each of its markets the interference issues will be worked out on a mutual and cooperative basis.

Finally, CAI/CS is seeing enormous anticipation in the outcome of this proceeding by the financial investment community and by potential strategic partners. CAI announced this past week that it is commencing a reorganization of its capital

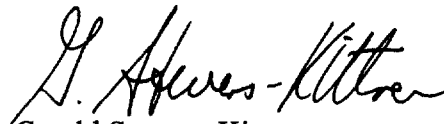
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<sup>2</sup> CAI recently completed a set of lease negotiations with each of its ITFS lessors in Boston, and every set of negotiations focused quite extensively on two-way deployment. The educators are clearly excited about this rulemaking. One of the lessors in Boston is a member of CTN, and CAI and CS lease from several other members of CTN in other markets. CAI and CS witness first hand the great interest in the educational possibilities of two-way use of the spectrum, and CAI and CS look forward to working cooperatively with each of its educational partners to realize the full potential of our spectrum.

structure. A Chapter 11 bankruptcy reorganization in the coming months is a virtual certainty. The adoption by the Commission of a timely and deployment-friendly report and order will provide enormous impetus to CAI's emergence from the reorganization process, and to its ability to move forward post-bankruptcy as a viable competitor. Every conversation CAI has with potential lenders and investors includes a discussion of the likely outcome and timing of this rulemaking proceeding.

CAI and CS trust that we have been on the mark by having told potential lenders and investors that we anticipate the early adoption of rules that will allow us to move forward aggressively and with agility.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. Stevens-Kittner". The signature is fluid and cursive, with a large initial "G" and a stylized "Kittner".

Gerald Stevens-Kittner  
Senior Vice-President  
CAI Wireless Systems, Inc.  
CS Wireless Systems, Inc.

cc: Barbara Kreisman  
Charles Dziedzic